

MINUTE ITEM

1. APPROVAL OF BIDS, CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD - L.B.W.O. 10,155, W.O. 5200.5.3.

The Executive Officer reported receipt of a letter from De Golyer & MacNaughton, Consultants, dated February 26, 1965, in which the following statement appeared:

"In order to assure that the State will receive maximum profits from the development of the Long Beach Unit, a very aggressive program must be carried out by the Field Contractor. Avoidable delay in the development of the Unit could cost the State as much as three million dollars per month. It therefore is essential that the State Lands Commission, the City of Long Beach and the Field Contractor together proceed with their respective responsibilities in the development of the field as expeditiously as possible, with due regard to economics and good oil field practice."

Mr. Glen E. Woodward, Senior Vice President of DeGolyer & MacNaughton, appeared personally to answer questions raised by the Commissioners; he assured them that, in his opinion, the contract was a good and viable document, and that the operators from which bids had been received were competent. He emphasized the statement made in the letter of February 26, 1965, as to the importance of an aggressive program.

The Executive Officer reported receipt of a letter from Dynamic Industries Company, signed by H. A. Hansen, President, claiming that the contracts for the Long Beach Unit probably would be invalid because of failure of the Commission to abide by the provision of Section 10 of the Rivers and Harbors Act approved by the Congress on March 3, 1899, Stat. 1151, codified in 33 U.S.C. 403, requiring approval by the Chief of Engineers or by the successor to the Secretary of War for construction of proposed islands in navigable waters of the United States. The Executive Officer stated that both the City of Long Beach and the State Lands Division had been in consultation for at least the past three years with the Los Angeles Office of the U. S. Army Corps of Engineers to determine that there were no basic difficulties that would preclude or prohibit the Army Engineers from approving plans for a reasonable number of islands at reasonable locations, which they would concede did not inhibit the navigation interest which they are called upon to control. Assistant Attorney General Shavelson pointed out that as a matter of uniform practice in California, no permit has ever been received from the Army Engineers prior to the issuance of a lease that required the placement of such structures, but that every such proposal has been discussed informally and in advance with the Army Engineers. The State has never had an operation that could not be designed to comply with the necessary requirements of the Army Engineers; therefore, no proposal to place a structure on State leases along the State of California offshore has ever been refused or rejected by the Army Engineers Office.

Mr. Shavelson confirmed the statement made by the Executive officer, pointing out that Section 3.5 of the Unit Agreement specifically provides that there can be no impairment of the public trust for commerce, navigation or fisheries

to which any committed parcels or any lands in the Unit are subject, and that Article 28 of the Contractors' Agreement provides that "Each of the contractors and the State agree to be bound by all valid provisions of Federal, State, Municipal, and local laws, ordinances, rules and regulations in any manner affecting Field Contractor's operations hereunder and to the extent of their respective powers hereunder to faithfully comply therewith."

Senator Begovich and Assemblymen Deukmejian and Kennick, who were present, were invited to comment but declined the opportunity.

The Chairman pointed out for the record that the Attorney General's opinion issued in connection with the approval of bids stated that everything is sufficient and in order.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION FINDS AND DETERMINES THAT THE FOLLOWING ARE THE HIGHEST RESPONSIBLE BIDDERS FOR THE CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, AND THAT THE ACCEPTANCE OF THE FOLLOWING BIDS IS IN THE BEST INTERESTS OF THE STATE OF CALIFORNIA AND OF THE CITY OF LONG BEACH IN ITS CAPACITY AS TRUSTEE FOR THE STATE OF CALIFORNIA:

FIELD CONTRACTOR'S 80% UNDIVIDED SHARE

JOINTLY BID AT 95.56% BY:

TEXACO INC.
HUMBLE OIL & REFINING COMPANY
LITTON OIL COMPANY OF CALIFORNIA
SOCONY MOBIL OIL COMPANY, INC.
SHELL OIL COMPANY

NONOPERATING CONTRACTOR'S 10% UNDIVIDED SHARE

JOINTLY BID AT 98.277% BY:

PAULEY PETROLEUM, INC.
ALLIED CHEMICAL CORPORATION

NONOPERATING CONTRACTOR'S 5% UNDIVIDED SHARE

JOINTLY BID AT 100% BY:

STANDARD OIL COMPANY OF CALIFORNIA
RICHFIELD OIL CORPORATION

NONOPERATING CONTRACTOR'S 2 1/2% UNDIVIDED SHARE

JOINTLY BID AT 99.34% BY:

STANDARD OIL COMPANY OF CALIFORNIA
RICHFIELD OIL CORPORATION

NONOPERATING CONTRACTOR'S 1 1/2% UNDIVIDED SHARE

JOINTLY BID AT 99.54% BY:

STANDARD OIL COMPANY OF CALIFORNIA
RICHFIELD OIL CORPORATION

NONOPERATING CONTRACTOR'S 1% UNDIVIDED SHARE

JOINTLY BID AT 99.55% BY:

STANDARD OIL COMPANY OF CALIFORNIA
RICHFIELD OIL CORPORATION

FURTHER, THE COMMISSION CONCURS IN THE ACTIONS DIRECTED BY CITY COUNCIL RESOLUTIONS NOS. C-19266 AND C-19267, AND, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 3, CHAPTER 138, STATUTES OF 1964, 1ST E.S., APPROVES THE EXECUTION BY THE CITY MANAGER OF THE CITY OF LONG BEACH OF SAID CONTRACTORS' AGREEMENT ON BEHALF OF THE CITY, AS TRUSTEE FOR THE STATE OF CALIFORNIA, AND AWARDS THE SAID CONTRACTORS' AGREEMENT TO THE HIGHEST RESPONSIBLE BIDDERS AS FIELD CONTRACTOR AND AS NONOPERATING CONTRACTORS, RESPECTIVELY.

FURTHER, THE COMMISSION APPROVES THE CITY'S DIRECTING THE AFORESAID SUCCESSFUL BIDDERS TO COMPLETE EXECUTION OF THE CONTRACTORS' AGREEMENT, THE UNIT AGREEMENT, AND THE UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WASHINGTON OIL FIELD, ON OR BEFORE MARCH 8, 1965.

The Chairman noted that the high bid represents a milestone in the development of California's natural resources, potential and that this can produce from one and one-half to two billion dollars for the State treasury in the next thirty-five years, and that this action was the largest on a single development in California's history.

The Chairman then thanked some of the people who had been helpful in consummation of the contracts, i.e., Consultants DeColyer & MacNaughton; the various staff members of the State Lands Division, with specific reference to Mr. A. W. Pfeil, Assistant Executive Officer; Mr. G. V. Wysynsky, Senior Geologist; Mr. C. V. Boquist, Senior Mineral Resources Engineer; Mr. R. L. Johnson, Staff Engineer; Mr. C. N. Hurlbut, Supervising State Financial Examiner in addition to F. J. Hortig; and the associates from the Office of the Attorney General, Mr. Jay L. Shavelson, Assistant Attorney General; Mr. Warren Abbott, Deputy Attorney General; and Mr. Howard Goldin, former Assistant Attorney General.

Attachment

Calendar Item 1 (4 pages)

CALENDAR ITEM

1.

APPROVAL OF BIDS, CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD - L.B.W.O. 10,155.

Pursuant to the published Notice Inviting Bids for the Long Beach Unit of the Wilmington Oil Field, approved by the State Lands Commission on October 22, 1964 (Minute Item 38, pages 10,652-54), the City of Long Beach received and opened bids for the Field Contractor's 80% undivided interest under the Contractors' Agreement on February 9, 1965, and for the Nonoperating Contractor's 10%, 5%, $2\frac{1}{2}\%$, $1\frac{1}{2}\%$ and 1% undivided interests on February 10, 11, 15, 16 and 17, respectively. A summary table of all bids received for the Contractor's interests is attached (Exhibit "A"). The high bids received for the undivided interests are listed in the following table:

Field Contractor's 80% Undivided Share

Jointly bid at 95.56% by:

Texaco Inc.
Humble Oil & Refining Company
Union Oil Company of California
Sunny Mobil Oil Company, Inc.
Shell Oil Company

Nonoperating Contractor's 10% Undivided Share

Jointly bid at 98.277% by:

Pauley Petroleum, Inc.
Allied Chemical Corporation

Nonoperating Contractor's 5% Undivided Share

Jointly bid at 100% by:

Standard Oil Company of California
Richfield Oil Corporation

Nonoperating Contractor's $2\frac{1}{2}\%$ Undivided Share

Jointly bid at 99.54% by:

Standard Oil Company of California
Richfield Oil Corporation

Nonoperating Contractor's $1\frac{1}{2}\%$ Undivided Share

Jointly bid at 99.54% by:

Standard Oil Company of California
Richfield Oil Corporation

CALENDAR ITEM 1. (CONTD.)

Nonoperating Contractor's 1% Undivided Share

Jointly bid at 99.55% by:

Standard Oil Company of California
Richfield Oil Corporation

The bids received by the City of Long Beach have been transmitted to the State Lands Commission, and have been reviewed by the staff, by the staff consultants, and by the Office of the Attorney General. Included with the high bid for the Field Contractor's undivided share, there was submitted evidence which, in the opinion of the staff and of the State's consultants, establishes the competence and experience of the joint bidders in oil drilling and producing operations. The evidence submitted with all high bids, in the opinion of the staff and of the consultants, established that each high bidder is financially responsible and able to take its individual share of the crude oil.

The Office of the Attorney General has reviewed each high bid, and has advised that all the statutory prerequisites and procedures for the acceptance of the bids have been met and followed by the City of Long Beach and by the State Lands Commission, that the bids comply with the Notice Inviting Bids and with the Bill No. 1, and that the bids may be considered for approval by the Commission.

The City of Long Beach has submitted certified copies of two (2) resolutions of the City Council, Nos. C-19266 and C-19267, adopted on February 23, 1965, directing the City Manager, upon the concurrence of the State Lands Commission in the action directed by said resolutions, to execute the Contractors' Agreement, Long Beach Unit, Wilmington Oil Field, California, and to award the Contract to the highest responsible successful bidders designated in the resolutions as Field Contractor and as Nonoperating Contractors.

The Notice Inviting Bids provides that the successful bidder for the Field Contractor's and for each Nonoperating Contractor's undivided share shall execute the Contractors' Agreement, the Unit Agreement, and the Unit Operating Agreement on the date directed by the City and approved by the State Lands Commission, and entitles each such successful bidder to five (5) days' notice prior to such required execution. The City has indicated that, subject to approval by the Commission, it intends to direct the successful bidders to execute said documents at any time after the passage of the resolution recommended herein and on or before March 8, 1965.

IT IS RECOMMENDED THAT THE COMMISSION FIND AND DETERMINE THAT THE FOLLOWING ARE THE HIGHEST RESPONSIBLE BIDDERS FOR THE CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, AND THAT THE ACCEPTANCE OF THE FOLLOWING BIDS IS IN THE BEST INTERESTS OF THE STATE OF CALIFORNIA AND OF THE CITY OF LONG BEACH IN ITS CAPACITY AS TRUSTEE FOR THE STATE OF CALIFORNIA:

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RICHFIELD OIL CORPORATION

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IT IS FURTHER RECOMMENDED THAT THE COMMISSION CONCUR IN THE ACTIONS DIRECTED BY CITY COUNCIL RESOLUTIONS NOS. C-19266 AND C-19267, AND, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 3, CHAPTER 138, STATUTES OF 1964, 1ST E.S., APPROVE THE EXECUTION BY THE CITY MANAGER OF THE CITY OF LONG BEACH OF SAID CONTRACTORS' AGREEMENT ON BEHALF OF THE CITY, AS TRUSTEE FOR THE STATE OF CALIFORNIA, AND AWARD THE SAID CONTRACTORS' AGREEMENT TO THE HIGHEST RESPONSIBLE BIDDERS AS FIELD CONTRACTOR AND AS NONOPERATING CONTRACTORS, RESPECTIVELY.

CALENDAR ITEM 1. (CONTD.)

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